

110TH CONGRESS  
1ST SESSION

# H. R. 453

To amend the Internal Revenue Code of 1986 to provide that oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

---

## IN THE HOUSE OF REPRESENTATIVES

JANUARY 12, 2007

Mr. McDERMOTT introduced the following bill; which was referred to the Committee on Ways and Means

---

## A BILL

To amend the Internal Revenue Code of 1986 to provide that oil and gas companies will not be eligible for the effective rate reductions enacted in 2004 for domestic manufacturers.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Ending Subsidies for  
5       Big Oil Act of 2007”.

6       **SEC. 2. FINDINGS.**

7       The Congress finds that—

1           (1) like many other countries, the United States  
2           has long provided export-related benefits under its  
3           tax law,

4           (2) producers and refiners of oil and natural  
5           gas were specifically denied the benefits of those ex-  
6           port-related tax provisions,

7           (3) those export-related tax provisions were suc-  
8           cessfully challenged by the European Union as being  
9           inconsistent with our trade agreements,

10          (4) the Congress responded by repealing the ex-  
11          port-related benefits and enacting a substitute ben-  
12          efit that was an effective rate reduction for United  
13          States manufacturers,

14          (5) producers and refiners of oil and natural  
15          gas were made eligible for the rate reduction even  
16          though they suffered no detriment from repeal of the  
17          export-related benefits, and

18          (6) the decision to provide the effective rate re-  
19          duction to producers and refiners of oil and natural  
20          gas has operated as a reverse windfall profits tax,  
21          lowering the tax rate on the windfall profits they are  
22          currently enjoying.

1 **SEC. 3. DENIAL OF DEDUCTION FOR INCOME ATTRIB-**  
 2 **UTABLE TO DOMESTIC PRODUCTION OF OIL,**  
 3 **NATURAL GAS, OR PRIMARY PRODUCTS**  
 4 **THEREOF.**

5 (a) IN GENERAL.—Subparagraph (B) of section  
 6 199(c)(4) of the Internal Revenue Code of 1986 (relating  
 7 to exceptions) is amended by striking “or” at the end of  
 8 clause (ii), by striking the period at the end of clause (iii)  
 9 and inserting “, or”, and by inserting after clause (iii) the  
 10 following new clause:

11 “(iv) the sale, exchange, or other dis-  
 12 position of oil, natural gas, or any primary  
 13 product thereof.”.

14 (b) PRIMARY PRODUCT.—Section 199(c)(4)(B) of  
 15 such Code is amended by adding at the end the following  
 16 flush sentence:

17 “For purposes of clause (iv), the term ‘primary  
 18 product’ has the same meaning as when used in  
 19 section 927(a)(2)(C), as in effect before its re-  
 20 peal.”.

21 (c) CONFORMING AMENDMENTS.—Section 199(c)(4)  
 22 of such Code is amended—

23 (1) in subparagraph (A)(i)(III) by striking  
 24 “electricity, natural gas,” and inserting “electricity”,  
 25 and

1           (2) in subparagraph (B)(ii) by striking “elec-  
2       tricity, natural gas,” and inserting “electricity”.

3       (d) EFFECTIVE DATE.—The amendments made by  
4 this section shall apply to taxable years beginning after  
5 December 31, 2007.

○